



ORONOKO CHARTER TOWNSHIP
BERRIEN COUNTY MICHIGAN

FINANCIAL REPORT

December 31, 2004

11-1150

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name ORONOKO CHARTER TOWNSHIP	County BERRIEN
Audit Date 12/31/04	Opinion Date 2/18/05	Date Accountant Report Submitted to State: April 13, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.			
Street Address 830 PLEASANT STREET, P.O. BOX 44		City ST. JOSEPH	State MI
Accountant Signature <i>Robert P. Gerbel</i>		ZIP 49085	Date 4-13-05

ORONOKO CHARTER TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

December 31, 2004

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ORONOKO CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Oronoko Charter Township's (the "Township") financial performance for the year ended December 31, 2004. Please read it in conjunction with financial statements following this section. Because our 2004 fiscal year represents the first year in which the Township has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides few comparisons with the previous year.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the fiscal year by \$3,844,155 (net assets). Of this amount, \$1,482,081 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,261,827, a decrease of \$24,680 in comparison with the prior year. Approximately 100% of the total amount, \$1,261,827 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$1,228,890.
- The Township's total debt fell to \$290,518, a decrease of \$48,467 (14 %) during the current fiscal year, with no new debt acquired during the year.

Overview of the Financial Statements

The discussion and analysis is an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The new financial statement's focus (implemented during the current fiscal year) is on both the Township as a whole (government-wide) and on the major individual funds. Both perspectives allow users to address relevant questions, broaden a basis for comparison and enhance the Township's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. The Statement of Net Assets and the Statement of Activities are two financial statements that should help answer the question: Is the Township, as a whole, better off or worse off as a result of this year's activities? These statements include all non-fiduciary assets and

ORONOKO CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

ORONOKO CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund. The Township also has a Memorial Fund, Improvement Fund, and Debt Retirement Fund which are considered to be non-major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other funds to demonstrate compliance with this budget.

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Additional Required Supplementary Information

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$3,844,155 at the close of the most recent fiscal year. By far the most significant portion of the Township's net assets (69 percent) reflects its investment in capital assets (e.g., land, buildings, water and sewer systems, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be

ORONOKO CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Oronoko Township's Net Assets

	<u>Governmental Activities</u>
Current and other assets	\$ 1,561,175
Capital assets	<u>2,652,592</u>
Total Assets	<u>4,213,767</u>
Long-term liabilities	237,051
Other liabilities	<u>132,561</u>
Total liabilities	<u>369,612</u>
Net assets:	
Invested in capital assets, net of related debt	2,362,074
Restricted	0
Unrestricted	<u>1,482,081</u>
Total net assets	<u>\$ 3,844,155</u>

The unrestricted net assets \$1,482,081 may be used to meet the Township's ongoing obligations to citizens and creditors.

ORONOKO CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Oronoko Township's Change in Net Assets

	<u>Governmental Activities</u>
Revenues:	
Program Revenues:	
Charges for services	\$ 100,280
Capital Grants	153,126
General Revenues:	
General taxes	150,643
Taxes restricted for debt service	65,878
State of Michigan aid, unrestricted	602,356
Interest and investment earnings	20,264
Other	36,787
Gain (loss) on sale of fixed assets	<u>(4,907)</u>
Total Revenues	<u>1,124,427</u>
Expenses:	
Legislative	213,555
General government	297,386
Public safety	490,975
Public works	112,251
Recreation and culture	43,236
Interest on long-term debt	<u>21,674</u>
Total Expenses	<u>1,179,077</u>
Change in Net Assets	(54,650)
Net Assets – Beginning of Year	<u>3,898,805</u>
Net Assets – End of Year	<u>\$ 3,844,155</u>

The Township's net assets decreased by \$54,650 during the current fiscal year as discussed below. A comparative analysis between the prior and current year will be provided in future years when prior year information is available.

Governmental Activities:

Governmental activities decreased the Township's net assets by \$54,650. A key element of this decrease was state revenue sharing decreasing by \$50,743 (7.7%).

ORONOKO CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Financial Analysis of the Township's Funds

As the Township completed the year, its governmental funds reported combined fund balances of \$1,261,827. Of this amount, \$1,261,827 (100%) was unreserved fund balance, which is available for appropriations for the general purpose of the funds.

General Fund

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, the unreserved fund balance was \$1,228,890. The total fund balance decreased by \$30,183 primarily as a result of lower state-shared revenue.

The difference between the original budget and the final amended budget for revenues and expenditures was \$0. The Townships final amended budget for revenues was \$943,573 and the actual was \$1,056,771, but there was \$138,268 of revenue from a grant for the county fire radio improvement project which passed through the Townships accounts with no income or expense generated for the Township. However, the Township did have a significant difference between the final amended budget for expenditures of \$1,310,195 and the actual expenditures of \$1,086,954 (17%).

Capital Asset and Debt Administration

Capital Assets:

The Township's investment in capital assets for its governmental activities as of December 31, 2004 amounts to \$2,652,592 (net of accumulated depreciation). This investment in capital assets includes: land, land improvements, buildings and improvements, furniture, equipment, utility systems and vehicles.

Major capital asset events during the current fiscal year included the following:

- Utility systems (water and sewer lines within the township) were added to the Township's capital asset listing for GASB 34 implementation at \$229,341 (net of accumulated depreciation).
- The fire department purchased \$14,395 in new computer and projector equipment for use in training the firefighters, with the majority of the costs covered by grants.
- A new copy machine, computer and digital parcel mapping software were purchased for the township hall at a combined cost of \$12,690.
- New water lines and hydrants were installed in Rose Hill Cemetery at a cost of \$4,842.

ORONOKO CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Long-term Debt:

At the end of the current fiscal year, the Township had total bonded and installment debt outstanding of \$290,518. Of this amount, \$205,000 is in General Obligation bonds for the Library which is paid each year by millage for taxes levied by the Township. The balance of \$85,518 is for bonds for water and sewer improvements in the Township and is paid for through transfers from the General Fund. This debt is backed by the full faith and credit of the government. No new debt was acquired during the current year.

Economic Condition and Outlook

The continued downturn in the economy has caused a reduction in the revenue sharing the Township receives from the State of Michigan. So far, the State is expecting to continue into the next fiscal year with the same amount of revenue sharing that the Township received in the current fiscal year. To compensate for the prior reductions in the Township's revenues, the Township is working on decreasing expenditures. Also, the Township and the Village of Berrien Springs have been supporting the Berrien Springs Oronoko Township Police Department for expenditures above the taxes that are received by the department. To alleviate some of the annual costs to both governments there is to be a millage vote in 2005 to increase taxes received by the Berrien Springs Oronoko Township Police Department.

Requests for Information

This financial report is designed to provide a general overview of Oronoko Township's finances for all those with an interest in the township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Supervisor
Oronoko Charter Township
4583 E Snow Road
PO Box 214
Berrien Springs, MI 49103

ORONOKO CHARTER TOWNSHIP
TOWNSHIP BOARD

Ernest Hildebrand.....Supervisor
Suzanne Renton..... Clerk
David Ladd Treasurer
Rae Holman.....Trustee
Dorothy Hildebrand.....Trustee
Philipp Riess.....Trustee
Robert Pagel, Jr.....Trustee

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

February 18, 2005

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Oronoko Charter Township
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oronoko Charter Township, as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis information on pages I through VII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

INDEPENDENT AUDITOR'S REPORT - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oronoko Charter Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heibel & Company, P.C.

ORONOKO CHARTER TOWNSHIP
Statement of Net Assets
December 31, 2004

Assets	Governmental Activities
Current Assets	
Cash and cash equivalents	\$ 1,080,537
Taxes receivable	123,859
Assessment receivable	6,975
Due from other funds	93,577
Due from other governmental units	248,269
Interest receivable	<u>7,958</u>
Total Current Assets	<u>\$ 1,561,175</u>
Noncurrent Assets	
Capital Assets (net of accumulated depreciation)	
Land	\$ 354,249
Land improvements	29,211
Buildings and improvements	1,508,598
Furniture and equipment	202,469
Utility systems	229,341
Vehicles	<u>328,724</u>
Total Noncurrent Assets	<u>\$ 2,652,592</u>
TOTAL ASSETS	<u>\$ 4,213,767</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 71,051
Salaries and withholding payable	4,132
Interest payable	3,911
Bonds payable, due within one year	<u>53,467</u>
Total Current Liabilities	<u>\$ 132,561</u>
Noncurrent Liabilities	
Bonds payable	<u>\$ 237,051</u>
Total Noncurrent Liabilities	<u>\$ 237,051</u>
Total Liabilities	<u>\$ 369,612</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 2,362,074
Unrestricted	<u>1,482,081</u>
Total Net Assets	<u>\$ 3,844,155</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,213,767</u>

The accompanying notes are an integral part of these financial statements.

ORONOKO CHARTER TOWNSHIP
Statement of Activities
December 31, 2004

Functions/Programs	Program Revenues				Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Governmental Activities:					
Legislative	\$ 213,555	\$ -	\$ -	\$ -	\$ (213,555)
General Government	297,386	45,606	-	-	(251,780)
Public Safety	490,975	53,464	-	153,126	(284,385)
Public Works	112,251	-	-	-	(112,251)
Recreation and Culture	43,236	1,210	-	-	(42,026)
Interest on long-term debt	<u>21,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,674)</u>
Total Governmental Activities	<u>\$ 1,179,077</u>	<u>\$ 100,280</u>	<u>\$ -</u>	<u>\$ 153,126</u>	<u>\$ (925,671)</u>
General Revenues:					
Taxes					
Property taxes, levied for general operations					\$ 150,643
Property taxes, levied for debt service					65,878
State of Michigan aid, unrestricted					602,356
Interest and investment earnings					20,264
Other					36,787
Gain (loss) on sale of fixed assets					<u>(4,907)</u>
Total General Revenues					<u>\$ 871,021</u>
Change In Net Assets					\$ (54,650)
Net Assets - Beginning of Year					<u>3,898,805</u>
NET ASSETS - END OF YEAR					<u>\$ 3,844,155</u>

**ORONOKO CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
Balance Sheet
For the Year Ended December 31, 2004**

	<u>General Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Currents Assets:			
Cash and cash equivalents	\$ 1,047,600	\$ 25,530	\$ 1,073,130
Monies on deposit with county	-	7,407	7,407
Receivables:			
Property tax	86,230	37,629	123,859
Interest	7,958	-	7,958
Assessments	-	6,975	6,975
Other	248,269	-	248,269
Due from other funds	<u>65,258</u>	<u>29,639</u>	<u>94,897</u>
Total Current Assets	<u>\$ 1,455,315</u>	<u>\$ 107,180</u>	<u>\$ 1,562,495</u>
TOTAL ASSETS	<u>\$ 1,455,315</u>	<u>\$ 107,180</u>	<u>\$ 1,562,495</u>
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	\$ 71,051	\$ -	\$ 71,051
Accrued liabilities	4,132	-	4,132
Due to other funds	-	1,320	1,320
Deferred revenue	<u>151,242</u>	<u>72,923</u>	<u>224,165</u>
Total Current Liabilities	<u>\$ 226,425</u>	<u>\$ 74,243</u>	<u>\$ 300,668</u>
Total Liabilities	<u>\$ 226,425</u>	<u>\$ 74,243</u>	<u>\$ 300,668</u>
Fund Balances:			
Reserved for:			
Restricted purposes	\$ -	\$ -	\$ -
Unreserved, reported in			
General Fund	1,228,890	-	1,228,890
Special Revenue	-	9,453	9,453
Debt Service	<u>-</u>	<u>23,484</u>	<u>23,484</u>
Total Fund Balances	<u>\$ 1,228,890</u>	<u>\$ 32,937</u>	<u>\$ 1,261,827</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,455,315</u>	<u>\$ 107,180</u>	<u>\$ 1,562,495</u>

The accompanying notes are an integral part of these financial statements.

ORONOKO CHARTER TOWNSHIP
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
For the Year Ended December 31, 2004

Fund balances of governmental funds	\$ 1,261,827
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Governmental fund report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives.	2,652,592
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Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	(290,518)
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Government-wide statements recognize interest expense in the period in which it accrues rather than the period in which payment is made.	(3,911)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>224,165</u>
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Net assets of governmental activities	<u>\$ 3,844,155</u>
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**ORONOKO CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2004**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 144,974	\$ 64,219	\$ 209,193
Special assessments	-	1,206	1,206
Licenses and permits	14,840	-	14,840
State grants	602,356	-	602,356
Charges for services	45,605	-	45,605
Interest and rents	19,149	583	19,732
Capital grants	153,126	-	153,126
Fire department revenue	38,724	-	38,724
Miscellaneous	37,997	-	37,997
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 1,056,771	\$ 66,008	\$ 1,122,779
Expenditures:			
Current:			
Legislative	\$ 198,164	\$ -	\$ 198,164
General government	318,568	-	318,568
Public safety	416,849	1,673	418,522
Public works	55,573	-	55,573
Health and welfare	45,559	-	45,559
Recreation and cultural	40,633	-	40,633
Debt service:			
Principal retirement	-	48,467	48,467
Interest and fiscal charges	-	21,673	21,673
Miscellaneous	-	300	300
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 1,075,346	\$ 72,113	\$ 1,147,459
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (18,575)	\$ (6,105)	\$ (24,680)
Other Financing Sources (Uses):			
Operating transfer in (out)	\$ (11,608)	\$ 11,608	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	\$ (11,608)	\$ 11,608	\$ -
Net Change in Fund Balance	\$ (30,183)	\$ 5,503	\$ (24,680)
Fund Balances - Beginning of Year	1,259,073	27,434	1,286,507
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES - END OF YEAR	\$ 1,228,890	\$ 32,937	\$ 1,261,827

The accompanying notes are an integral part of these financial statements.

ORONOKO CHARTER TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2004

Net change in fund balances - total governmental funds \$ (24,680)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives. This is the amount by which depreciation exceeded capital outlays in the current period. (78,581)

Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds. 48,467

The net effect of trade-ins and sales involving capital assets is to decrease net assets. (6,508)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 6,652

Change in net assets of governmental activities \$ (54,650)

**ORONOKO CHARTER TOWNSHIP
GENERAL FUND
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 150,000	\$ 150,000	\$ 144,974	\$ (5,026)
Licenses and permits	18,500	18,500	14,840	(3,660)
State grants	666,073	666,073	602,356	(63,717)
Changes for services	45,000	45,000	45,605	605
Interest	22,000	22,000	19,149	(2,851)
Capital grants	-	-	153,126	153,126
Fire department revenue	32,000	32,000	38,724	6,724
Other	10,000	10,000	37,997	27,997
Total Revenues	<u>\$ 943,573</u>	<u>\$ 943,573</u>	<u>\$ 1,056,771</u>	<u>\$ 113,198</u>
Expenditures:				
Legislative	\$ 253,253	\$ 229,753	\$ 198,164	\$ 31,589
General government	439,690	429,290	318,568	110,722
Public safety	255,252	442,152	416,849	25,303
Public works	260,000	93,000	55,573	37,427
Health and welfare	46,000	46,000	45,559	441
Recreation and cultural	54,000	55,000	40,633	14,367
Total Expenditures	<u>\$ 1,308,195</u>	<u>\$ 1,295,195</u>	<u>\$ 1,075,346</u>	<u>\$ 219,849</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (364,622)</u>	<u>\$ (351,622)</u>	<u>\$ (18,575)</u>	<u>\$ 333,047</u>
Other Financing Sources (Uses)				
Operating transfers out	<u>\$ 2,000</u>	<u>\$ 15,000</u>	<u>\$ (11,608)</u>	<u>\$ (26,608)</u>
Total Other Financing Sources (Uses)	<u>\$ 2,000</u>	<u>\$ 15,000</u>	<u>\$ (11,608)</u>	<u>\$ (26,608)</u>
Net Change in Fund Balances	<u>\$ (362,622)</u>	<u>\$ (336,622)</u>	<u>\$ (30,183)</u>	<u>\$ 306,439</u>
Fund Balances - Beginning of Year	<u>1,259,073</u>	<u>1,259,073</u>	<u>1,259,073</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 896,451</u>	<u>\$ 922,451</u>	<u>\$ 1,228,890</u>	<u>\$ 306,439</u>

The accompanying notes are an integral part of these financial statements.

**ORONOKO CHARTER TOWNSHIP
FIDUCIARY FUNDS
Statement of Fiduciary Net Assets
December 31, 2004**

	Expendable Trust Fund	Tax Collection Fund
Assets		
Cash	\$ 3,308	\$ 503,909
Investments	<u>2,600</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,908</u>	<u>\$ 503,909</u>
Liabilities		
Due to other funds	\$ -	\$ 93,577
Due to other governments	-	410,061
Taxpayer refunds	-	271
Undistributed revenue for Garr Morrow and Sprague Memorials	<u>5,908</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 5,908</u>	<u>\$ 503,909</u>

The accompanying notes are an integral part of these financial statements.

**ORONOKO CHARTER TOWNSHIP
FIDUCIARY FUNDS
Statement of Changes in Net Assets
December 31, 2004**

	Expendable Trust Fund
Additions	
Interest	\$ 89
Total Additions	<u>\$ 89</u>
Deductions	
Memorials:	
Garr (Oak Grove)	\$ 100
Sprague - Rosehill	25
Marrow - Rosehill	<u>25</u>
Total Deductions	<u>\$ 150</u>
Changes in net assets	(61)
Net assets - Beginning of Year	<u>5,969</u>
NET ASSETS - END OF YEAR	<u><u>\$ 5,908</u></u>

The accompanying notes are an integral part of these financial statements.

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by Oronoko Township, Michigan, conform to generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

A. Reporting Entity

In evaluating how to define the Township's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township's reporting entity.

Berrien Springs-Oronoko Township Police Department and Berrien Springs-Oronoko Joint Fire Administrative Board. These potential component units are disclosed as joint ventures. See NOTE 3 for further information on the joint ventures.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Township does not maintain any proprietary funds.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Oronoko Charter Township reports the following major governmental fund:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, Oronoko Charter Township reports the following fund type:

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Sewer Fund, and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first. Unrestricted resources are used as they are needed.

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Budgetary Data

The Supervisor submits, to the Board of Trustees, a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted before final adoption by the Board of Trustees.

The budget is formally accepted by the Board of Trustees in summary form prior to November 1.

The Supervisor can transfer budgeted amounts between departments within a fund, but usually requests approval from the Board of Trustees before making any such transfers. Revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Oronoko Charter Township as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements. Accumulated depreciation is reported on the government-wide statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	25-50 years
Equipment	5-15 years
Vehicles	3-12 years
Utility Systems	10-40 years
Land Improvements	15-25 years

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statements of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

G. Property Taxes

Township property taxes are levied on December 1 and are payable without penalty through February 15. The Township bills and collects its own property taxes and also taxes for the County and several school districts within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund. Township property tax revenues are recognized as revenues in the calendar year following the levy date.

H. Investments

Investments are stated at cost or amortized cost, which approximates market.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE 2 - CASH DEPOSITS

The Township's deposits, which include cash and certificates of deposit, are carried at cost. Act 217, PA 1982, authorizes the Township to deposit and invest in the accounts of Federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the associations and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Township's deposits are in accordance with statutory authority at December 31, 2004.

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 2 - CASH DEPOSITS - Continued

Year-End Deposits

At year-end, the deposits consisted of the following components:

	<u>Carrying Amount</u>		
	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Bank deposits	\$ 1,073,130	\$ 509,817	\$ 1,582,947
Monies on deposit with County	<u>7,407</u>	<u>-</u>	<u>7,407</u>
Cash and Cash Equivalents as reported in statements	<u>\$ 1,080,537</u>	<u>\$ 509,817</u>	<u>\$ 1,590,354</u>

For the bank deposits and certificates of deposit, \$900,000 was covered by federal depository insurance and \$1,113,023 was uninsured. The bank balances are categorized to give an indication of the level of risk assumed by the entity at year-end.

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Primary Government		
Amount insured by the FDIC	\$ 900,000	\$ 900,000
Uncollateralized and uninsured	<u>173,130</u>	<u>191,922</u>
Total Primary Government	<u>\$ 1,073,130</u>	<u>\$ 1,091,922</u>
Fiduciary Funds		
Amount insured by the FDIC	\$ -	\$ -
Uncollateralized and uninsured	<u>509,817</u>	<u>921,101</u>
Total Fiduciary Funds	<u>\$ 509,817</u>	<u>\$ 921,101</u>
Total Reporting Entity	<u>\$ 1,582,947</u>	<u>\$ 2,013,023</u>

NOTE 3 - JOINT VENTURES

Berrien Springs-Oronoko Joint Fire Administrative Board

On December 9, 1986, the Village of Berrien Springs and Oronoko Charter Township entered into a joint venture to form a joint fire administrative board. The purpose of the board is to establish an annual budget, to establish annual billing rates, to recommend to the Village and Township any request for financial assistance and the purchase of any additional equipment as is deemed necessary from time to time.

The Board is composed of five members. Oronoko Charter Township selects two members and the Village of Berrien Springs selects two members. One member is selected at large. This board annually elects a president, vice-president, and a secretary. The Fire Chief is appointed by the President of the Village subject to the approval of the Village Council and the approval of the Township Board.

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 3 - JOINT VENTURES - Continued

Berrien Springs-Oronoko Joint Fire Administrative Board - Continued

The cost of future capital purchases and operations are split 70% Oronoko Charter Township and 30% Village of Berrien Springs. The Township's share of Fire Board expenditures for the year ended December 31, 2004 was \$79,755.

A copy of the audited financial report is available for review at the Township office.

Berrien Springs-Oronoko Township Police Department

On July 6, 1971 the Village of Berrien Springs and Oronoko Charter Township entered into a mutual police assistance agreement for the purpose of the establishment of an inter-municipal police authority and to provide police services for both the Village and the Township.

The Berrien Springs-Oronoko Charter Township Police Commission is composed of five members, two members from the Village Board of Trustees appointed by the Village President and three members from the Oronoko Charter Township Board appointed by the Township Supervisor. The Police Commission selects and hires, with the recommendation of the Chief of Police, the members of the police department.

The current agreement between Oronoko Township and the Village of Berrien Springs calls for all costs not funded by the operating millage to be split 50% Township and 50% Village. Each municipality contributed \$100,000 during the year ended December 31, 2004.

A copy of the audited financial report is available for review at the Township office.

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended December 31, 2004 were as follows:

	Balance January 1, 2004 (As Restated)	Additions	Deletions	Balance December 31, 2004
Governmental Activities				
Land	\$ 354,248	\$ -	\$ -	\$ 354,248
Buildings	\$ 1,922,886	\$ -	\$ -	\$ 1,922,886
Land Improvements	67,097	4,842	-	71,939
Utility Systems	377,851	-	-	377,851
Vehicles	583,654	8,662	(26,930)	565,386
Furniture and Equipment	378,665	37,447	(28,409)	387,703
Subtotal	\$ 3,330,153	\$ 50,951	\$ (55,339)	\$ 3,325,765
Less: Accumulated Depreciation	(946,721)	(129,532)	48,832	(1,027,421)
Total Capital Assets Other Than Land	\$ 2,383,432	\$ (78,581)	\$ (6,507)	\$ 2,298,344

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 4 - CAPITAL ASSETS - Continued

As of January 1, 2004, the Township made the following restatements to capital assets:

Governmental activities capital assets as reported in the general fixed assets account group - December 31, 2003	\$ 4,707,206
Remove equipment below the increased capitalization threshold of \$1,500	<u>(1,022,805)</u>
Governmental activities capital assets as restated - January 1, 2004	<u>\$ 3,684,401</u>
Governmental activities capital assets as restated - January 1, 2004	
Land	\$ 354,248
Depreciable assets	<u>3,330,153</u>
Total	<u>\$ 3,684,401</u>

Depreciation expense was charged in the following functions in the statement of activities:

Governmental functions:

General government	\$ 21,391
Public safety	96,092
Public works	9,446
Recreation and cultural	<u>2,603</u>
Total	<u>\$ 129,532</u>

NOTE 5 - CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the primary government for the year ended December 31, 2004:

	<u>Bonds</u>
As of January 1, 2004	\$ 338,985
Additions	-
(Reductions)	<u>48,467</u>
As of December 31, 2004	<u>\$ 290,518</u>

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued

Long-term debt at December 31, 2004 is comprised of the following individual issues:

	<u>Balance</u> <u>January 1,</u> <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31,</u> <u>2004</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities - Primary Activities					
1989 Library Building and Site Bonds (General Obligation Unlimited Tax Bonds) due in annual installments of \$15,000 to \$55,000 through May 1, 2008; interest varies from 7.15% to 9.00%.	\$ 250,000	\$ -	\$ (45,000)	\$ 205,000	\$ 50,000
Berrien County Water and Sewer Improvements Project No. 26 Bonds, Series 2000 due in annual installments of \$3,467 to \$8,090 through May 1, 2020; interest varies from 4.50% to 5.65%.	88,985	-	(3,467)	85,518	3,467
Total Primary Government	<u>\$ 338,985</u>	<u>\$ -</u>	<u>\$ (48,467)</u>	<u>\$ 290,518</u>	<u>\$ 53,467</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 53,467	\$ 17,931
2006	53,467	14,040
2007	53,467	10,122
2008	59,622	5,984
2009	4,623	3,689
2010-2014	25,424	14,741
2015-2019	32,358	6,961
2020	8,090	229
Total	<u>\$ 290,518</u>	<u>\$ 73,697</u>

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

A. Individual Funds - Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 65,258	Current Tax Fund	\$ 93,577
Library Debt Service Fund	29,639	Sewer Debt Service Fund	1,320
	<u>\$ 94,897</u>		<u>\$ 94,897</u>

B. Individual Funds - Interfund Operating Transfers

Individual fund operating transfers for the year ended December 31, 2004, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 11,608
Debt Service Fund	11,608	-
	<u>\$ 11,608</u>	<u>\$ 11,608</u>

NOTE 7 - RETIREMENT PLAN

The Township maintains a defined contribution retirement plan, which is administered by Manulife Insurance Company, covering all full-time employees. Participants contribute a minimum amount per \$1,000 of their compensation and the Township matches participant contributions on a three-for-one basis, subject to certain limitations.

The Township's total payroll during the current year was \$317,335. The current year contribution was calculated based on covered payroll of \$227,201, resulting in an employer contribution of \$26,852, and employee contributions of \$9,948.

All participants are fully vested in the plan. The plan is a money purchase plan qualified under section 401(a) of the Internal Revenue Code.

NOTE 8 - VACATION AND SICK PAY

Vacation and sick pay are expensed when paid. Vacation pay does not accumulate beyond the current year. Sick days accumulate, but can only be taken as compensated time off in the future and are not eligible for cash payment upon termination of employment.

NOTE 9 - ROAD REPAIR AND MAINTENANCE

Subsequently all road repairs and improvements are done by the Berrien County Road Commission with funds provided by Township and County revenues. All disbursements to the Road Commission are included in the combined financial statements as an expenditure at the time of disbursement. Accordingly, a portion of the disbursement may represent an advance of road improvement funds before such a project is begun or completed by the Road Commission.

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 10 - SCHEDULE OF BUILDING DEPARTMENT REVENUE AND EXPENDITURES

Public Act 245 of 1999 requires that the legislative bodies of the local government establish reasonable fees which bear a reasonable relationship to the cost of operating the enforcing agency. The Act provides that a separate fund be established to track these costs, unless the local unit's fee structure is not intended to recover the full cost of the enforcing agency and the local unit has the ability to track the full costs and revenues of this activity without creating a separate fund. In that case, the local unit may continue accounting for building department activities within the general fund. The following is a schedule of building department revenues and expenditures:

Revenues	
Building permits	\$ 12,407
Expenditures	
Salary and wages	\$ 26,216
Payroll taxes	2,038
Professional development	948
Retirement	3,182
Printing and publishing	387
Travel	1,156
Life and health insurance	<u>5,685</u>
Total Expenditures	\$ <u>39,612</u>
Deficiency of Revenues under Expenditures	\$ <u>(27,205)</u>

NOTE 11 - FUND DEFICIT

The Sewer Debt Service Fund incurred a fund deficit of \$1,320. The funds transferred from the General Fund were less than the required principal and interest payment on the Sewer Bond. The Township will eliminate the fund deficit through an operating transfer from the General Fund.

NOTE 12 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

As of and for the year ended December 31, 2004, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*
- No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment to GASB No. 33*
- No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- No. 38 - *Certain Financial Statement Note Disclosures*

ORONOKO CHARTER TOWNSHIP
Notes to Financial Statements
December 31, 2004

NOTE 12 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS - Continued

Interpretation

- No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Township is required to implement the new requirements no later than the fiscal year ending December 31, 2004.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

ORONOKO CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Improvement Fund - This fund is used to account for capital improvements of the Township.

Debt Service Funds

Debt service funds are used to account for...

Debt Fund - This fund is used to satisfy bond payments for the Library Building and Site Bonds and the Sewer Assessment No. 26 Bonds.

**ORONOKO CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
For the Year Ended December 31, 2004**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 2,046	\$ 23,484	\$ 25,530
Monies on deposit with county	7,407	-	7,407
Receivables:			
Property taxes	-	37,629	37,629
Assessments	-	6,975	6,975
Due to other funds	-	29,639	29,639
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 9,453</u>	<u>\$ 97,727</u>	<u>\$ 107,180</u>
Liabilities and Fund Balances			
Current Liabilities:			
Deferred revenue	\$ -	\$ 72,923	\$ 72,923
Due to other funds	-	1,320	1,320
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ -</u>	<u>\$ 74,243</u>	<u>\$ 74,243</u>
Fund Balances:			
Unreserved, reported in			
Special Revenue	\$ 9,453	\$ -	\$ 9,453
Debt Service	-	23,484	23,484
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>\$ 9,453</u>	<u>\$ 23,484</u>	<u>\$ 32,937</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,453</u>	<u>\$ 97,727</u>	<u>\$ 107,180</u>

**ORONOKO CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2004**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes	\$ -	\$ 64,219	\$ 64,219
Interest and rents	6	577	583
Special assessments	-	1,206	1,206
	<u>-</u>	<u>1,206</u>	<u>1,206</u>
Total Revenues	\$ 6	\$ 66,002	\$ 66,008
Expenditures			
Current:			
Public safety	\$ 1,673	\$ -	\$ 1,673
Debt service:			
Principal retirement	-	48,467	48,467
Interest and fiscal charges	-	21,673	21,673
Miscellaneous	-	300	300
	<u>-</u>	<u>300</u>	<u>300</u>
Total Expenditures	\$ 1,673	\$ 70,440	\$ 72,113
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,667)	\$ (4,438)	\$ (6,105)
Other Financing Sources (Uses)			
Operating transfers in	\$ -	\$ 11,608	\$ 11,608
Total Other Financing Sources (Uses)	\$ -	\$ 11,608	\$ 11,608
Net Change in Fund Balances	\$ (1,667)	\$ 7,170	\$ 5,503
Fund Balances - Beginning of Year	11,120	16,314	27,434
FUND BALANCES - END OF YEAR	\$ 9,453	\$ 23,484	\$ 32,937

**ORONOKO CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures Compared to Budget
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003**

		2004		Variance -	2003
		Budget	Actual	Positive (Negative)	Actual
Legislative:					
Township Board:					
Salary and wages	\$	8,003	\$ 7,965	\$ 38	\$ 7,965
Payroll taxes		650	610	40	610
Office supplies		4,000	2,662	1,338	3,761
Postage		7,500	6,547	953	6,044
Audit fees		8,000	7,110	890	7,400
Legal fees		10,000	7,435	2,565	21,518
Dues		7,500	5,856	1,644	5,601
Computer services and software		20,000	18,505	1,495	9,404
Retirement		28,000	23,664	4,336	20,387
Community donation		4,000	3,400	600	3,300
Printing and publishing		10,000	9,496	504	5,588
Insurance and bonds		35,000	33,391	1,609	30,871
Life and health insurance		65,000	51,542	13,458	43,132
Workers' compensation insurance		14,000	13,803	197	11,738
Repairs and maintenance		5,000	3,719	1,281	4,639
Water and sewer study		-	-	-	50,017
Water and sewer litigation settlement		-	-	-	520,000
Travel		600	52	548	-
Miscellaneous		2,500	2,407	93	1,200
Total Legislative	\$	229,753	\$ 198,164	\$ 31,589	\$ 753,175
General Government:					
Supervisor:					
Salary	\$	14,598	\$ 14,589	\$ 9	\$ 14,589
Payroll taxes		1,250	1,116	134	1,116
Total Supervisor	\$	15,848	\$ 15,705	\$ 143	\$ 15,705
Clerk:					
Salary	\$	11,718	\$ 11,709	\$ 9	\$ 11,709
Payroll		930	896	34	896
Travel		250	-	250	116
Total Clerk	\$	12,898	\$ 12,605	\$ 293	\$ 12,721

**ORONOKO CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures Compared to Budget
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003**

	<u>2004</u>		<u>Variance - Positive (Negative)</u>	<u>2003 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
General Government - Continued:				
Treasurer:				
Salary	\$ 8,800	\$ 8,800	\$ -	\$ 8,800
Payroll taxes	740	673	67	673
Total Treasurer	<u>\$ 9,540</u>	<u>\$ 9,473</u>	<u>\$ 67</u>	<u>\$ 9,473</u>
Administrative and Office:				
Salaries and wages	\$ 80,000	\$ 80,888	\$ (888)	\$ 72,938
Payroll taxes	6,400	6,239	161	5,532
Travel	100	77	23	-
Total Administrative and Office	<u>\$ 86,500</u>	<u>\$ 87,204</u>	<u>\$ (704)</u>	<u>\$ 78,470</u>
Assessor and Board of Review:				
Salaries and wages	\$ 27,400	\$ 26,858	\$ 542	\$ 26,519
Payroll taxes	2,100	2,029	71	1,979
Travel	300	123	177	-
Miscellaneous	100	-	100	42
Total Assessor and Board of Review	<u>\$ 29,900</u>	<u>\$ 29,010</u>	<u>\$ 890</u>	<u>\$ 28,540</u>
Township Hall and Grounds:				
Utilities	\$ 8,000	\$ 8,896	\$ (896)	\$ 8,426
Repairs and maintenance	10,000	9,517	483	12,114
Capital outlay	9,000	7,289	1,711	4,977
Total Township Hall and Grounds	<u>\$ 27,000</u>	<u>\$ 25,702</u>	<u>\$ 1,298</u>	<u>\$ 25,517</u>
Cemetery:				
Salaries and wages	\$ 78,200	\$ 78,852	\$ (652)	\$ 81,212
Payroll taxes	8,104	6,734	1,370	6,543
Utilities	6,200	6,019	181	6,187
Repairs	26,000	23,654	2,346	8,191
Travel	500	439	61	213
Capital outlay	17,000	14,795	2,205	32,048
Total Cemetery	<u>\$ 136,004</u>	<u>\$ 130,493</u>	<u>\$ 5,511</u>	<u>\$ 134,394</u>

ORONOKO CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures Compared to Budget
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	<u>2004</u>		<u>Variance -</u>	<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
General Government - Continued:				
Elections:				
Salaries - Temporary employees	\$ 4,000	\$ 3,562	\$ 438	\$ -
Office supplies	2,500	2,288	212	154
Printing and publishing	3,000	1,871	1,129	-
Travel	100	64	36	-
Miscellaneous	2,000	591	1,409	32
Total Elections	<u>\$ 11,600</u>	<u>\$ 8,376</u>	<u>\$ 3,224</u>	<u>\$ 186</u>
Contingencies	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>
Total General Government	<u>\$ 429,290</u>	<u>\$ 318,568</u>	<u>\$ 110,722</u>	<u>\$ 305,006</u>
Public Safety:				
Police:				
Township appropriation	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 112,500</u>
Fire Protection:				
Salaries and wages	\$ 56,000	\$ 55,509	\$ 491	\$ 51,715
Payroll taxes	5,050	4,247	803	3,956
Office supplies	1,300	1,184	116	271
Miscellaneous supplies	1,700	1,500	200	704
Uniforms and cleaning	1,000	913	87	1,657
Fees and subscriptions	1,300	1,243	57	1,106
Telephone	6,600	6,476	124	5,788
Gasoline and oil	1,500	1,017	483	997
Travel	150	-	150	93
Conference and workshops	2,000	1,333	667	3,139
Public education	800	717	83	170
Insurance	3,682	2,359	1,323	2,471
Utilities	11,800	10,842	958	4,781
Repairs and maintenance	14,800	13,089	1,711	12,107
Supplies	6,500	6,080	420	6,488
Equipment purchases	27,000	26,624	376	14,329
County wide equipment	150,000	138,269	11,731	-
Miscellaneous	500	203	297	710
Total Fire Protection	<u>\$ 291,682</u>	<u>\$ 271,605</u>	<u>\$ 20,077</u>	<u>\$ 110,482</u>

ORONOKO CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures Compared to Budget
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003

	<u>2004</u>		<u>Variance - Positive (Negative)</u>	<u>2003 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Public Safety - Continued:				
Building Department:				
Salaries and wages	\$ 26,500	\$ 26,216	\$ 284	\$ 26,277
Payroll taxes	2,100	2,038	62	1,975
Dues	1,100	948	152	462
Retirement	3,500	3,182	318	3,117
Printing and publishing	500	387	113	-
Life and health insurance	6,000	5,685	315	4,685
Travel	1,500	1,156	344	559
Miscellaneous	100	-	100	-
Total Building Department	<u>\$ 41,300</u>	<u>\$ 39,612</u>	<u>\$ 1,688</u>	<u>\$ 37,075</u>
Planning and Zoning:				
Salaries and wages	\$ 6,000	\$ 4,675	\$ 1,325	\$ 4,495
Payroll taxes	470	358	112	344
Printing and publishing	1,000	269	731	-
Legal fees	1,000	-	1,000	-
Dues	500	330	170	436
Travel	100	-	100	-
Miscellaneous	100	-	100	-
Total Planning and Zoning	<u>\$ 9,170</u>	<u>\$ 5,632</u>	<u>\$ 3,538</u>	<u>\$ 5,275</u>
Total Public Safety	<u>\$ 442,152</u>	<u>\$ 416,849</u>	<u>\$ 25,303</u>	<u>\$ 265,332</u>

**ORONOKO CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures Compared to Budget
For the Year Ended December 31, 2004
With Comparative Actual Amounts for the Year Ended December 31, 2003**

	<u>2004</u>		<u>Variance -</u>	<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Public Works:				
Street lighting	\$ 15,000	\$ 13,202	\$ 1,798	\$ 12,265
Roads and streets	68,000	39,826	28,174	43,382
Drains	10,000	2,545	7,455	1,855
Total Public Works	<u>\$ 93,000</u>	<u>\$ 55,573</u>	<u>\$ 37,427</u>	<u>\$ 57,502</u>
Health and Welfare:				
Ambulance service	<u>\$ 46,000</u>	<u>\$ 45,559</u>	<u>\$ 441</u>	<u>\$ 43,563</u>
Recreation and Cultural:				
Township Park:				
Repairs and maintenance	\$ 11,000	\$ 10,560	\$ 440	\$ 7,973
Capital outlay	10,000	-	10,000	-
Recreation:				
Township appropriation	<u>34,000</u>	<u>30,073</u>	<u>3,927</u>	<u>31,218</u>
Total Recreation and Cultural	<u>\$ 55,000</u>	<u>\$ 40,633</u>	<u>\$ 14,367</u>	<u>\$ 39,191</u>
TOTAL EXPENDITURES	<u>\$ 1,295,195</u>	<u>\$ 1,075,346</u>	<u>\$ 219,849</u>	<u>\$ 1,463,769</u>

**ORONOKO CHARTER TOWNSHIP
NONMAJOR DEBT SERVICE FUNDS
Combining Balance Sheet
December 31, 2004**

With Comparative Totals for the Year Ended December 31, 2003

Assets	Library Fund	Sewer Fund	Totals 2004	2003
Cash	\$ 15,079	\$ -	\$ 15,079	\$ 8,045
Investments	8,405	-	8,405	8,270
Receivables:				
Property tax	37,629	-	37,629	44,462
Assessments	-	6,975	6,975	7,650
Due from other funds - NOTE 6	<u>29,639</u>	<u>-</u>	<u>29,639</u>	<u>26,075</u>
TOTAL ASSETS	<u>\$ 90,752</u>	<u>\$ 6,975</u>	<u>\$ 97,727</u>	<u>\$ 94,502</u>
Liabilities and Fund Balances				
Deferred revenue	\$ 65,948	\$ 6,975	\$ 72,923	\$ 71,939
Due to other funds - NOTE 6		1,320	1,320	6,249
Fund balances	<u>24,804</u>	<u>(1,320)</u>	<u>23,484</u>	<u>16,314</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 90,752</u>	<u>\$ 6,975</u>	<u>\$ 97,727</u>	<u>\$ 94,502</u>

**ORONOKO CHARTER TOWNSHIP
NONMAJOR DEBT SERVICE FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2004
With Comparative Totals for the Year Ended December 31, 2003**

	<u>Library Fund</u>	<u>Sewer Fund</u>	<u>Totals</u> <u>2004</u>	<u>2003</u>
Revenues:				
Taxes	\$ 64,219	\$ -	\$ 64,219	\$ 62,097
Interest and rents	312	265	577	949
Special assessments	<u>-</u>	<u>1,206</u>	<u>1,206</u>	<u>675</u>
Total Revenues	<u>\$ 64,531</u>	<u>\$ 1,471</u>	<u>\$ 66,002</u>	<u>\$ 63,721</u>
Expenditures:				
Debt service:				
Principal retirement	\$ 45,000	\$ 3,467	\$ 48,467	\$ 43,467
Interest and fiscal charges	16,990	4,683	21,673	24,970
Miscellaneous	<u>300</u>	<u>-</u>	<u>300</u>	<u>-</u>
Total Expenditures	<u>\$ 62,290</u>	<u>\$ 8,150</u>	<u>\$ 70,440</u>	<u>\$ 68,437</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,241	\$ (6,679)	\$ (4,438)	\$ (4,716)
Other Financing Sources (Uses):				
Operating transfer in (out)	<u>-</u>	<u>11,608</u>	<u>11,608</u>	<u>-</u>
Net Change in Fund Balances	\$ 2,241	\$ 4,929	\$ 7,170	\$ (4,716)
Fund Balance - Beginning of Year	<u>22,563</u>	<u>(6,249)</u>	<u>16,314</u>	<u>21,030</u>
FUND BALANCE - END OF YEAR	<u>\$ 24,804</u>	<u>\$ (1,320)</u>	<u>\$ 23,484</u>	<u>\$ 16,314</u>

**ORONOKO CHARTER TOWNSHIP
FIDUCIARY FUNDS
Combining Statement of Changes in Assets and Liabilities
Totals
For the Year Ended December 31, 2004**

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Subtractions</u>	Balance December 31, <u>2004</u>
Assets				
Cash	\$ 645,759	\$ 5,994,331	\$ 6,132,873	\$ 507,217
Investments	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>2,600</u>
TOTAL ASSETS	<u>\$ 648,359</u>	<u>\$ 5,994,331</u>	<u>\$ 6,132,873</u>	<u>\$ 509,817</u>
 Liabilities				
Undistributed taxes and interest	\$ 582,247	\$ 5,745,632	\$ 5,911,910	\$ 415,969
Taxpayer refunds	271	-	-	271
Due to other funds	<u>65,841</u>	<u>248,699</u>	<u>220,963</u>	<u>93,577</u>
TOTAL LIABILITIES	<u>\$ 648,359</u>	<u>\$ 5,994,331</u>	<u>\$ 6,132,873</u>	<u>\$ 509,817</u>

Current Tax Fund Assets	Balance January 1, 2004	Additions	Subtractions	Balance December 31, 2004
Cash	\$ 642,390	\$ 5,994,242	\$ 6,132,723	\$ 503,909
TOTAL ASSETS	\$ 642,390	\$ 5,994,242	\$ 6,132,723	\$ 503,909
Liabilities				
Undistributed tax and interest	\$ 576,278	\$ 5,745,543	\$ 5,911,760	\$ 410,061
Taxpayer refunds	271	-	-	271
Due to other funds	65,841	248,699	220,963	93,577
TOTAL LIABILITIES	\$ 642,390	\$ 5,994,242	\$ 6,132,723	\$ 503,909

**ORONOKO CHARTER TOWNSHIP
FIDUCIARY FUNDS
Statement of Changes in Assets and Liabilities
Expendable Trust Fund
For the Year Ended December 31, 2004**

Expendable Trust Fund	Balance			Balance
Assets	January 1,	Additions	Subtractions	December 31,
	2004			2004
Cash	\$ 3,369	\$ 89	\$ 150	\$ 3,308
Investments	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>2,600</u>
TOTAL ASSETS	<u>\$ 5,969</u>	<u>\$ 89</u>	<u>\$ 150</u>	<u>\$ 5,908</u>
 Liabilities				
Undistributed revenue	<u>\$ 5,969</u>	<u>\$ 89</u>	<u>\$ 150</u>	<u>\$ 5,908</u>
TOTAL LIABILITIES	<u>\$ 5,969</u>	<u>\$ 89</u>	<u>\$ 150</u>	<u>\$ 5,908</u>

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

February 18, 2005

TOWNSHIP BOARD OF
ORONOKO CHARTER TOWNSHIP
BERRIEN COUNTY, MICHIGAN

In connection with our audit of the books and records of Oronoko Charter Township for the year ended December 31, 2004, we offer the following comments and recommendations.

GENERAL

1. The fire department has a separate checking account for its fund-raising activities. The Township's federal identification number is being used on the account, which places the liability for these funds in the hands of the Township. The receipts and disbursements from this account are not being recorded on the Township's books. Since the funds are being raised for a public purpose, and the department is supported by the Township and the Village, Gerbel & Company recommends the Township oversee the receipts and disbursements of this account. The fire department may maintain custody of the checking account, though a record of receipts and disbursements should be forwarded to the Township in a timely manner for inclusion on the Township's books. The Township Board should authorize the signers on the checking account, and implement procedures for the oversight of this offsite account.
2. The Sewer Debt Fund incurred a deficit in the amount of \$1,320.36. The deficit was incurred as a result of the Township making the required bond payment out of the Sewer Debt Fund without transferring in sufficient funds from the General Fund. Consequently the Sewer Debt Fund borrowed money from the Library Debt Fund to make the required bond payment. By the end of the audit, the Township had made the appropriate transfer.
3. In order to strengthen internal control, the Township Supervisor or Treasurer should approve all journal entries made by the accountant. Currently journal entries are not being approved. We found no instances of impropriety during a review of journal entries, but believe it would be a good policy to have in place whereby providing for additional checks and balances.
4. The Township's administration and accounting personnel displayed a high level of dedication and cooperation in performing their duties and assisting us in completing ours.

We appreciate the courtesy and cooperation extended to us by the officials and employees of Oronoko Charter Township and trust that these comments and suggestions will be received in the spirit of cooperation in which they are offered.

Very truly yours,


GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

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